

Agency 195

Liquor Control Board**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2003-05 Expenditure Authority	961.0	2,935	159,346	162,281
Total Maintenance Level	966.0	3,035	168,094	171,129
Difference	5.0	100	8,748	8,848
Percent Change from Current Biennium	0.5%	3.4%	5.5%	5.5%
Performance Changes				
Change Expense to Nonappropriated			58	58
Middle Management Reduction	(5.0)	(15)	(532)	(547)
General Inflation		(7)	(1,116)	(1,123)
Criminal Justice Training			126	126
Enhance Stores Network Connection	1.0		2,228	2,228
Alcohol Education Initiative #	1.0		186	186
Optional Redemption of COPs			4,315	4,315
Improve Core Technology Operations	4.0		2,261	2,261
Financing Warehouse Expansion			2,800	2,800
Increase Shipping Capacity	11.6		3,233	3,233
More Store FTEs for Revenue Growth	28.0		2,746	2,746
Subtotal	40.6	(22)	16,305	16,283
Total Proposed Budget	1,006.6	3,013	184,399	187,412
Difference	45.6	78	25,053	25,131
Percent Change from Current Biennium	4.7%	2.7%	15.7%	15.5%
Total Proposed Budget by Activity				
Administrative Activity	90.8		16,698	16,698
Alcohol Server Training	1.1		107	107
Contract Liquor Store Operations	2.5		22,331	22,331
Enforcement of Liquor Control Laws	83.8		10,843	10,843
Liquor Licensing and Permits	31.4		3,438	3,438
Liquor Purchasing and Merchandising	12.6		1,389	1,389
Liquor Warehouse Operations and Distribution	82.6		24,665	24,665
Regulation of Manufacturers, Importers and Wholesalers	15.0		1,803	1,803
State Liquor Store Operations	669.2		101,195	101,195
Tobacco Tax Enforcement	18.6	2,968	134	3,102
Youth Access to Tobacco	4.0			
Compensation Cost Adjustment		60	2,328	2,388
Middle Management Reduction	(5.0)	(15)	(532)	(547)
Total Proposed Budget	1,006.6	3,013	184,399	187,412

GOVERNMENTAL OPERATIONS

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Change Expense to Nonappropriated

State and contract liquor store customers are provided bags to carry purchased liquor. In previous biennia, bags have been an appropriated expense. In the 2005-07 Biennium, bags will be a nonappropriated/budgeted expense. This change allows the Liquor Control Board to continue to provide bags to customers without having to seek additional appropriation authority when liquor sales increase. (Liquor Revolving Account-Nonappropriated)

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.

Criminal Justice Training

All liquor enforcement officers (LEO) are required to receive 720 hours of basic law enforcement academy (BLEA) training. The Legislature instituted this training requirement in the 2001-03 Biennium. Currently, 40 LEOs, employed prior to this period, have not received this training. Beginning in the 2005-07 Biennium, five of these LEOs will attend the BLEA per year, with all 40 LEOs completing BLEA training within eight years. This training will enhance the ability of the Enforcement Division to field a fully professional staff capable of handling complex enforcement tasks during field operations. This funding will allow all LEOs to meet the minimum law enforcement training standards established by the Washington State Criminal Justice Training Commission. (Liquor Revolving Account)

Enhance Stores Network Connection

The Liquor Control Board (LCB) employs "dial-up" connections between the 161 state liquor stores and the Olympia headquarters to process credit and debit card transactions for liquor purchases. Dial-up connections are made over a standard voice telephone line, and the speed of connections is very slow. Currently, a transaction takes up to 50 seconds to process through a dial-up connection. LCB processes over \$4.2 million in credit and debit card transactions per year, making it the largest state user of credit/debit cards. In the 2005-07 Biennium, a high-speed Wide Area Network (WAN) will be installed in all of the 161 state liquor stores, which will allow credit card transaction times of five seconds or less, access to on-line Lottery games, and better customer service by enabling product searches. The WAN connection will provide an "always on" connection to each of the state-operated stores. (Liquor Revolving Account)

Alcohol Education Initiative #

Currently, the Enforcement and Education Division's education effort focuses primarily on the state's 13,000 licensees and their employees and local law enforcement agencies. Liquor enforcement officers continually update local law enforcement agencies on changes to the liquor laws and perform compliance checks and unannounced visits to restaurants, taverns, and beer and wine shops. These education efforts are carried out from an enforcement perspective by emphasizing safe and legal alcohol sales and consumption to licensees. They have not been aimed at minors, parents, or college students.

As a key partner in the Governor's Council on Substance Abuse and the Washington Interagency Network Against Substance Abuse, and through its relationships with law enforcement and the alcohol industry, the Liquor Control Board can effectively leverage public and private resources to reduce alcohol abuse among youth and adults. In the 2005-07 Biennium, an alcohol education staff coordinator will leverage resources for direct alcohol abuse prevention services such as a media campaign or educational materials targeted toward middle school and high school students, with input from the Department of Social and Health Services' Division of Alcohol and Substance Abuse and the Governor's Council on Substance Abuse. (Liquor Revolving Account)

Optional Redemption of COPs

In the 2005-07 Biennium, the Liquor Control Board will make an accelerated final payment on the Certificate of Participation (COP) that was used to finance the new Seattle Liquor Distribution Center, saving the state \$390,000 in interest expenses. Once the debt is eliminated, the agency will retain a portion of the \$0.20/liter surcharge to finance the expansion of the Seattle Distribution Center. (Liquor Control Board Construction and Maintenance Account)

Improve Core Technology Operations

A recent Gartner Group study found that while the Liquor Control Board's information technology (IT) services are very cost-effective in comparison to government and private sector counterparts, more information technology investment is required to sustain this level of performance and advance the agency's retail and enforcement goals. In the 2005-07 Biennium, information technology investments will be made in the following areas: replacement of essential computer equipment; improvement of security measures; and improvement of technical support for core infrastructure. The improvement of security measures involves hiring an IT security coordinator to bring the Liquor Control Board into full compliance with Information Services Board security standards. The improvement of technical support for the core infrastructure includes adding three staff to address network and management concerns related to management and maintenance of firewalls, routers, Exchange and other operating systems, database management systems, servers, and Tivol backup. (Liquor Revolving Account)

Financing Warehouse Expansion

The Seattle Liquor Distribution Center stores and ships \$600 million in product to more than 360 outlets statewide. Opened in 2002, it already has reached its shipping and storage capacity of 17,000 cases in an eight-hour period. Annual growth in liter sales of 4.8 percent will push daily shipping averages to 20,000 cases by 2005. A recent study by the Pinnacle Consulting Group recommends that the Liquor Control Board expand the warehouse to accommodate the 15-year projected case growth of 32,400 cases in a eight-hour period, as well as make some immediate enhancements to the material handling system (MHS) to accommodate current capacity requirements. In Fiscal Year 2005, the Liquor Control Board made many improvements that will increase shipping volumes from 17,000 to 20,551 cases in an eight-hour period, accommodating the forecasted shipping capacity requirement through Fiscal Year 2006.

In 2006, the Liquor Control Board will begin construction to expand the existing warehouse by 59,520 square feet to meet the 2018 forecasted case requirement (32,400 cases in an eight-hour period). The additional space will support expanded receiving docks, floor and rack storage, and staging areas. Construction is expected to be completed by December 2007, at an estimated cost of \$17.5 million. The Board will fund the expansion through a certificate of participation and continuation of the \$.020 cents/liter surcharge that funded the existing Distribution Center. (Liquor Control Board Construction & Maintenance Account)

Increase Shipping Capacity

The Seattle Liquor Distribution Center stores and ships \$600 million in product to more than 360 outlets statewide. Opened in 2002, it already has reached its shipping and storage capacity. Annual growth in liter sales of 4.8 percent will push daily shipping averages to 20,000 cases by 2005. In 2005, the Liquor Control Board will acquire additional material handling equipment and staff to meet projected sales growth demands of the 2005 and 2006 holiday seasons. This new material handling equipment will be procured and installed before October 2005. Also in 2005, the Liquor Control Board will plan and design an expansion of the Liquor Distribution Center to accommodate projected sales volume for Fiscal Year 2007 and beyond.

In the 2005-07 Biennium, the following material handling equipment functionality will be added: an upgrade to the latest version of the Warehouse Management System (WMS) software; modifications to the WMS software to allow for more efficient product retrieval; institute a carousel maintenance agreement; and procure additional product retrieval equipment and material handling system back-up parts. The upgrades to the material handling equipment and warehouse management systems, to be made in Fiscal Year 2005 and early Fiscal Year 2006, will generate an additional \$14.98 million (\$9 million General Fund-State, \$960,000 Liquor Excise Tax Account, \$115,000 Violence Reduction and Drug Enforcement Account, \$1.3 million Health Services Account, and \$3.6 million for local governments) in increased revenue through increased shipping capacity. (Liquor Revolving Account)

More Store FTEs for Revenue Growth

Unprecedented liquor sales growth over the last several years necessitates additional state liquor store staff and retail business analysis in order to continue to provide effective customer service, product training, inventory management, loss prevention, and merchandising. New staff will be deployed to those stores with the greatest potential for additional customer satisfaction and revenue growth. The Liquor Control Board, with the assistance of two new retail business analysts and an independent consultant, will analyze the impact of additional staff on customer satisfaction and revenue growth and make recommendations concerning the need for additional state liquor store staff, store relocations, new state and contract liquor stores, and other retail organizational structure changes. (Liquor Revolving Account)

GOVERNMENTAL OPERATIONS

ACTIVITY DESCRIPTIONS

Administrative Activity

The Liquor Control Board (LCB) establishes policies for the sale of alcoholic beverages and tobacco products throughout the state. Activities funded in this category include costs for the overall management of agency employees, and oversight of administrative and policy duties.

Alcohol Server Training

State law mandates training for servers in establishments that sell liquor for on-site consumption. This activity is commonly referred to as Mandatory Alcohol Server Training (MAST). (Liquor Revolving Account)

Contract Liquor Store Operations

The purpose of this activity is to pay commissions and minor operating expenses for contract liquor store retail outlets located in communities that do not have large enough populations to support the operational expenses of a state-operated store. The Liquor Control Board, with recommendations from its Retail Division, appoints local business owners to sell products under contractual and code regulations. Supporting functions also include contract store supervision.

Enforcement of Liquor Control Laws

The Enforcement and Education Division is charged with investigating and prosecuting all violations and penal laws relating to the transportation, possession, distribution, and sale of liquor. The primary responsibility of the division is to ensure public safety by preventing over-service and to reduce underage drinking at liquor license locations and unlicensed events such as keggers, college parties, and community gatherings where alcohol is available. In addition, liquor and tobacco agents perform liquor premise inspections, investigate complaints against liquor licensees, conduct random compliance checks, and educate citizens on the adverse effects of alcohol.

Liquor Licensing and Permits

The Program Administration, License Investigation, License Processing, and Customer Service Units provide review, and reporting on all license applications, permit applications, and requests from current license holders to modify business structure or operation; approve all liquor license and permit applications and renewals except those of a controversial nature, involving extensive investigation, or requiring a board decision; provide a process for accountability for all liquor license and permit fees; maintain official licensing records and make documents available for court, administrative action, and public records requests; provide licensing information for applicants and the general public; and assist other divisions of the board.

Liquor Purchasing and Merchandising

The Purchasing Division's function is to provide citizens a wide selection of alcoholic beverages at reasonable prices. The division recommends product listings to the board and manages inventory in the Distribution Center. The Special Order Program allows customers to obtain products that are not in general listings.

Liquor Warehouse Operations and Distribution

The Board operates a warehouse for the storing and shipment of liquor. The warehouse located in Seattle, receives products from suppliers, and ships products to state liquor stores and contract liquor stores throughout the state.

Regulation of Manufacturers, Importers and Wholesalers

The Manufacturers, Importers, and Wholesalers (MIW) Section is responsible for ensuring the proper administration of all state liquor laws and administrative rules applicable to beer, wine, and spirit manufacturers, importers, distributors, and interstate common carriers (ICCs). MIW works closely with the agency's Administrative Services Program to ensure proper and timely payment of beer and wine taxes. The section provides education, training, and other technical assistance to manufacturers, importers, distributors, and ICCs; investigates complaints and violations involving non-retail licensees; maintains and monitors a price-posting program for the manufacturing and distributor levels of the non-retail liquor industry; provides a product and label approval program for all beer and wine products planned for sale in Washington; provides liquor advertising approvals and denials, education, and assistance for license holders and marketing representatives; and maintains a Criminal History Record Information (CHRI) Office for conducting checks of license applicants and to assist liquor and tobacco criminal investigations.

State Liquor Store Operations

The purpose of state liquor stores is the controlled distribution of products sought by qualified customers. Store personnel are trained to identify and deny sale to underage or intoxicated customers. Store managers place weekly orders to replenish store inventory; they also schedule part-time help to meet fluctuating volumes of customers. Supporting functions also include strategic planning, store remodels and maintenance, store site selection, negotiation of leases, and supervision of state liquor stores.

Tobacco Tax Enforcement

Liquor and tobacco agents enforce state tax laws and applicable federal statutes related to cigarettes and other tobacco products to promote voluntary compliance and increase excise tax collections. Revenue is lost to the state each year due to tax evasion on cigarette and tobacco products. Liquor and tobacco agents are critical in preventing tax evasion tactics.

Youth Access to Tobacco

The Enforcement and Education division oversees state compliance of the federal law mandating states to restrict the sale of tobacco products to persons under age 18. The Division is responsible for conducting tobacco premise inspections, investigating complaints against tobacco licensees, and conducting random compliance checks on tobacco licensees. This activity is funded through an interagency agreement with the Department of Health.

Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.